



U.S. GENERAL SERVICES ADMINISTRATION
Office of General Counsel

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March 23, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Subject: Tariffs Implementing Access
Charge Reform
CC Docket No. 97-250

Dear Mr. Caton:

Enclosed please find the original and eleven copies of the General Services Administration's Rebuttal Comments for filing in the above-referenced proceeding.

Sincerely,

Michael Ettner
Senior Assistant General Counsel
Personal Property Division

Enclosures

cc: International Transcription Service
Competitive Pricing Division (2 copies)



BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Tariffs Implementing
Access Charge Reform

CC Docket No. 97-250

REBUTTAL COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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Summary

The direct cases submitted by local exchange carriers show that they employ markedly different definitions and procedures for computing interstate access charges and universal service fund obligations. To cite only one example, the rule used by one carrier may have resulted in classifying twice as many residential lines as “non-primary” lines, compared with the result using the definition employed by a second firm. The distinction is important because the cap on the PICC for non-primary residence lines is about three times that for primary lines, and the SLC cap is greater for non-primary lines as well.

Uniform definitions and procedures are necessary to implement the Commission’s pro-competitive policies equitably in all areas. Standardization is particularly important for geographically dispersed end users, such as the FEAs, who are subject to access charges by dozens of carriers in all 50 states.

Not simply generating confusion for end users, lack of uniformity will impair achievement of open competition. One interexchange carrier has expressed frustration with the “enormous practical problems” resulting from inconsistencies in line counts. Administrative havoc and recriminations stemming from lack of data developed and presented according to consistent specifications will impede the orderly development of competition for telecommunications services.

Perhaps most importantly, lack of uniform definitions and procedures will impair achievement of the goal of affordable telecommunications services for all Americans that regulators have embraced as a priority in the competitive environment. Critical inconsistencies must be addressed to allow regulators to deal effectively with the universal service challenge on a national basis.

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of

Tariffs Implementing
Access Charge Reform

CC Docket No. 97-250

**REBUTTAL COMMENTS
of the
GENERAL SERVICES ADMINISTRATION**

The General Services Administration ("GSA") submits these Rebuttal Comments on behalf of the customer interests of all Federal Executive Agencies ("FEAs") in response to the Commission's order released on January 28, 1998.¹ In the Designation Order, the Commission requested direct cases and replies on issues that arise in implementing the rules that it adopted in the Access Charge Reform proceeding.²

I. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. The FEAs require substantial quantities of interexchange and

¹ CC Docket No. 97-250, Order Designating Issues for Investigation and Order on Reconsideration, released January 28, 1998, ("Designation Order").

² *Access Charge Reform*, CC Docket No. 96-262, First Report and Order, 12 FCC Rcd 15982 (1997); Order on Reconsideration, 12 FCC Rcd 10119 (1997); Second Order on Reconsideration, 12 FCC Rcd 16606 (1997) (collectively, "Access Charge Reform proceeding".)

local telecommunications services throughout the nation. From this perspective, GSA has consistently supported the Commission's efforts to bring the benefits of competitive markets to consumers of all telecommunications services.

Through a series of orders in the Access Charge Reform proceeding released during the past year, the Commission significantly modified the system of interstate access charges so that charges will more nearly reflect the structure of underlying costs. GSA participated in those proceedings by submitting joint comments with the United States Department of Defense on January 28, 1997, February 14, 1997, March 24, 1997, and April 23, 1997. In those comments, GSA urged the Commission to adopt specific changes in the rate structures so that access charges could mirror access costs.

In the Designation Order, the Commission identified about 20 carriers as parties to the investigation: Alienate Communications Company, Ameritech Operating Company, Bell Atlantic Telephone Companies, BellSouth Telecommunications, Inc., Frontier Communications, Frontier Telephone of Rochester, GTE System Telephone Companies, GTE Telephone Operating Company, Nevada Bell, New York Telephone and New England Telephone Company, Southwestern Bell Telephone Company, Sprint Local Telephone Companies, and US West Communications.³ Since all of the designated parties are carriers, GSA did not submit a direct case on February 27, 1998. However, GSA has reviewed the direct cases submitted by the designated parties. Through these Rebuttal Comments, GSA responds to the direct cases submitted by the carriers, and addresses issues in the Designation Order from the standpoint of an end user of a wide spectrum of interstate and intrastate telecommunications services.

³ Designation Order, para. 102.

II. THE COMPUTATION OF INTERSTATE ACCESS CHARGE OBLIGATIONS REQUIRES DETAILED DATA.

Starting in 1998, a major portion of the interstate common line revenue requirement for price cap local exchange carriers ("LECs") will be recovered through flat charges on end users and interexchange carriers ("IXCs"). The increased dependence on fixed monthly charges, including subscriber line charges ("SLCs") assessed on end users and presubscribed interexchange carrier charges ("PICCs") assessed on IXCs, recognizes that almost all costs for access to the switched network do not depend on usage volumes.

While the new access charge structure is more cost-based, there are some practical complexities in applying these charges to end users and carriers. For example, it is intended that PICCs will recover any revenue requirements that SLCs do not meet when set at their ceilings. However, the PICCs have their own ceilings, so that the carrier common line ("CCL") charges will be eliminated completely only when the entire non-traffic sensitive common line revenue requirement is recovered through SLCs and PICCs combined. Implementation of this multi-step process is particularly difficult because SLCs and PICCs have different maximums or "caps," for different types of access lines. Indeed, the caps for either or both of these rate elements are different for five types of connections: (1) primary residential lines, (2) additional residential lines, (3) single business lines, (4) business multi-lines, and (5) Centrex access facilities. Clearly, differences in the procedures employed to develop line counts, and similar differences related to additional factors in the new access structure, will lead to major ambiguities in the computation of access charges applicable for specific end users and carriers.

To help resolve some of the ambiguities that have arisen so far, the Designation Order requested comments on:

-
- the definitions and records to be employed for non-primary residence line counts;
 - the methodology for calculating exogenous cost changes for line ports and end office trunk ports;
 - exogenous cost adjustments for central office equipment maintenance expenses;
 - tandem-switched transport rates;
 - removal of non-traffic sensitive costs from the transport interconnection charge;
 - the universal service support exogenous adjustment for all price cap LECs; and
 - various line count and costing issues pertinent to specific carriers.⁴

In the Designation Order, the Commission requested that the carriers file direct cases containing definitions of the factors they would employ in developing access charges and explanations of why the definitions are reasonable.⁵

III. THE CARRIER'S DIRECT CASES SHOW CONFLICTING DEFINITIONS AND APPROACHES.

The direct cases demonstrate that the various local exchange carriers employ very different definitions for factors necessary to compute access charges. The lack of consistent definitions is illustrated by differences in the rules employed to distinguish primary residence lines from non-primary or secondary residence lines.

⁴ *Id.*, para. 2.

⁵ *Id.*, para. 17.

For example, Cincinnati Bell defines the "primary residence line" as the first line of each individual bill at a residence.⁶ If a residence receives more than one bill, the first line on each bill is considered primary.⁷

On the other hand, US West employs a "premises approach." With this method, only the first line for the first account established at a residence is considered a "primary residence line."⁸ All additional lines on the first bill and all lines on any additional bills are "non-primary residence lines."

The differences in definition probably account for a substantial part of the variation in ratios of primary to non-primary lines for local exchange carriers. Cincinnati Bell reports 37,267 non-primary residence lines, which is 5.7 percent of the 655,447 residence line total.⁹ On the other hand, US West reports 1,417,582 non-primary residence lines, which is 12.7 percent of the total for residence users.¹⁰ The percentage of residence lines classified as non-primary by US West is more than double that for Cincinnati Bell. This difference almost certainly results from the fact that US West counts many lines as non-primary which Cincinnati Bell would include in the primary classification.

Differences in the definitions of primary and non-primary residence lines will have a major impact on the revenue flows for access charges, because both the SLC and PICC caps are different in each case. While the cap for primary residence lines is \$3.50 monthly, the cap on non-primary lines is currently \$5.00 a month. Furthermore,

⁶ Direct Case of Cincinnati Bell Telephone Co., p. 3.

⁷ *Id.*

⁸ Direct Case of US West, pp. 1-2.

⁹ Direct Case of Cincinnati Bell Telephone Co., p. 2. Cincinnati Bell reported 7,418,161 billings for primary residence lines and 447,199 billings for secondary residence lines. The line counts in GSA's Reply Comments are monthly averages computed by dividing the annual billing totals by 12.

¹⁰ Direct Case of US West, Workpaper A, p. 2.

IXCs are subject to much larger PICCs for presubscribed non-primary lines. Currently, the PICC cap is \$1.50 monthly for non-primary residence lines as compared with only \$0.53 a month for primary residence lines.

The approaches used by the carriers submitting direct cases differed with respect to many other issues that the Commission identified in the Designation Order. One difference relates directly to the computation of the carriers' universal service fund ("USF") obligations.

In its Designation Order, the Commission noted that the various incumbent local exchange carriers had historically employed different methodologies to allocate their USF obligations.¹¹ Furthermore, the Commission noted that these approaches produce significantly different results.¹²

In their direct cases, different local exchange carriers in fact employed quite different methods. For example, Ameritech used a two-step procedure to allocate its USF obligation to the price cap bands.¹³ Ameritech's first step in the allocation of the exogenous amount to the different baskets was to develop percentage distributions of revenues by basket.¹⁴ Ameritech used the same end user counts that were employed to compute USF contribution amounts in Form 457 to develop these percentages, and then mapped the revenues to the price cap baskets using data on designated lines of this same form as allocation factors.¹⁵ The second step of Ameritech's process took

¹¹ Designation Order, para. 93.

¹² *Id.*, para. 95.

¹³ Direct Case of Ameritech, p. 17.

¹⁴ *Id.*

¹⁵ *Id.*, pp. 17-18.

the USF amount allocated to the trunking basket and split it among the service bands on the basis of revenues.¹⁶

In contrast, BellSouth developed its USF assignments using a substantial amount of data outside of reports submitted to the Commission. The company allocated its obligation to common line, trunking, and interexchange baskets based on distributions of revenue shown in internal company records.¹⁷ BellSouth employed a number of specialized systems, including the Billed Carrier Access Tracking System ("BCATS") and the Carrier Access Billing System ("CABS"), in its allocation process.¹⁸

With the data provided, the FEAs cannot quantify the effects of the variations in the methods employed by the various carriers. However, it is certain that methods relying substantially on internal records and systems under the control of local exchange carriers could produce very disparate results compared to results obtained by employing uniform definitions and computational procedures established by the Commission.

IV. UNIFORM PROCEDURES ARE NECESSARY FOR THE ORDERLY DEVELOPMENT OF COMPETITION AND FOR IMPLEMENTATION OF UNIVERSAL SERVICE INITIATIVES.

Uniform definitions and procedures for computing access charges and USF obligations are necessary to implement the Commission's pro-competitive policies on an equitable basis. Standardization is particularly important to geographically dispersed end users who are subject to access charges by dozens of carriers. On the broadest scale, uniformity is critical for the efficient and orderly development of

¹⁶ *Id.*, p. 18.

¹⁷ Direct Case of BellSouth, pp. 31-32.

¹⁸ *Id.*, p. 32.

competition. Furthermore, uniformity is necessary to ensure that carriers in all areas of the nation are assessed proportionately for USF obligations, and that households served by all carriers in all areas share equitably in the benefits of the Commission's universal service initiatives.

As end users of local exchange and interexchange services provided by carriers throughout the country, the FEAs strongly urge the Commission to respond to the needs for national uniformity in the interstate access charge system. Large and geographically dispersed users such as the FEAs will pay SLCs to local carriers in hundreds of exchange areas in all 50 states. End users will experience administrative and budgetary havoc if the procedures to develop the SLC revenue requirements, as well as the rules for applying these charges, are not the same everywhere.

Dispersed end users will experience further burdens and confusion if the procedures used to determine the access charge obligations for interexchange carriers are not uniform in all areas. Although end users will not pay these access costs directly, they will be subject to disparate and non-comparable rate changes as interexchange carriers pass through the effects of access charges imposed on them by local exchange carriers.

While generating confusion among end users, lack of uniformity will impair achievement of open competition. One major interexchange carrier has already expressed frustration with the "enormous practical problems" that have arisen in implementing the PICCs.¹⁹ The carrier noted "inconsistencies in the line counts it has been receiving from the incumbent local exchange carriers."²⁰ In fact, several carriers lacking data on the presubscribed line counts necessary to determine their obligations

¹⁹ *Telecommunications Reports*, March 2, 1998, p. 8.

²⁰ *Id.*

under the new access charge plan have conservatively set charges for their own end users on a "worst case" basis. Understandably, the result has been complaints from end users who have been requested to pay large access fees in spite of very little toll usage. Confusion and recriminations stemming from lack of data developed and presented according to consistent specifications is certainly not conducive to the orderly development of competition for telecommunications services.

Finally, lack of uniform definitions and procedures for determining interstate access charges will impair achievement of the goal of affordable telecommunications services for all Americans. The steps to further universal service goals and major changes in the system of interstate access charges have complex and interdependent effects on cost obligations and revenue flows among end users, interexchange carriers, and local exchange service providers. As explained previously in these Rebuttal Comments, direct cases filed by the carriers demonstrate inconsistencies in definitions and procedures relating to computations governing access charge and USF obligations. These lead to uncertainties in the amount of funds available for universal service programs and inconsistencies in the ways in which the necessary funds are obtained and distributed. Clearly, these inconsistencies must be addressed if the Commission is to deal effectively with the universal service challenge on a national basis.

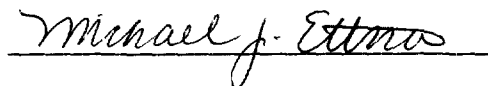
V. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to adopt uniform definitions and procedures for use in developing and applying interstate access charges and universal service fund obligations.

Respectfully submitted,

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March 23, 1998

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